

3. In connection with its pending application to provide basic local exchange service to Ameritech's Kalamazoo, Galesburg, Scotts and Battle Creek Exchanges, Climax has entered, or soon will enter, into negotiations with Ameritech Michigan for interconnection arrangements pursuant to the MTA and the Federal Telecommunications Act of 1996.

4. As part of the August 28, 1996 Order issued in Case No. U-11104, this Commission has requested information regarding interconnect agreements in evaluating whether Ameritech Michigan has met the requirements of the competitive checklist in § 271 of the Federal Telecommunications Act of 1996. Therefore, in light of Climax's current negotiations with Ameritech for interconnection arrangements and as future competitor, Climax has an interest in this proceeding and should receive copies of all filings made in Case No. U-11104. Moreover, Climax, as an interested party, should be permitted to file replies or comments to any filing made in Case No. U-11104 and file other relevant information as determined to be necessary.

5. Copies of filings should be sent to Climax's attorney: Harvey J. Messing; Loomis, Ewert, Parsley, Davis & Gotting, P.C.; 232 S. Capitol Avenue, Suite 1000; Lansing, Michigan 48933.

WHEREFORE, Climax Telephone respectfully requests that the Commission recognize it as an interested party to Case No. U-11104 and direct other parties to serve copies of all filings made in this proceeding and permit Climax to make relevant filings.

Respectfully submitted,

CLIMAX TELEPHONE COMPANY

September 18, 1996

By: *Sherri A. Wellman*
One of its Attorneys

Harvey J. Messing (23309)
Sherri A. Wellman (38989)
LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.
232 S. Capitol Ave., Suite 1000
Lansing, MI 48933

Attorneys for CLIMAX TELEPHONE
COMPANY

Jane



William A. Davis II
Chief Regulatory Counsel
Central Region

September 18, 1996

13th Floor
227 West Monroe Street
Chicago, Illinois 60606
312 230-2636

VIA HAND DELIVERY

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
P.O. Box 30221
Lansing, MI 48909



Re: Cause No. U-11104
In the Matter, on the Commission's own motion, to consider
Ameritech Michigan's compliance with the competitive checklist
in Section 271 of the Telecommunications Act of 1996

Dear Ms. Wideman:

AT&T requests that this letter and the attached documents, all of which are public records from the Wisconsin Public Service Commission, be included in the record of the above-entitled proceeding concerning compliance by Ameritech with Section 271 of the Telecommunications Act of 1996 (TA 96). To the extent necessary, AT&T requests administrative notice of these documents.

These documents demonstrate that careful inquiry is appropriate concerning the nature of the relationship between Ameritech and any competitive local exchange company which Ameritech puts forward as providing competition within the meaning of the "actual competition" test under Section 271. The attached documents imply that Ameritech may well submit agreements with companies with which it has a financial interest without disclosing the interest, may make unspoken reservations based on technical points concerning corporate legal structures within an enterprise, and may dispute the existence of equity ownership rights merely because they are contingent upon future, albeit certain, events. Other terms may also be included in the agreements which are inconsistent with a competitive marketplace, although they are completely understandable in an agreement between future affiliates.

The background of the situation in Wisconsin is as follows. By Orders entered on July 25, 1995 and November 22, 1995, the Wisconsin Commission, based on complaints by AT&T and others, mandated that Ameritech implement intraLATA 1+ interconnection services according to a specific schedule. Following Ameritech's unsuccessful attempt to stay the decision in Circuit Court, the Wisconsin

Commission agreed to reopen the proceeding to reconsider the implementation schedule in view of the passage of the Telecommunications Act of 1996. On June 6, 1996, the Commission agreed to defer the implementation of intraLATA 1+ presubscription if, by August 1, 1996 Ameritech, inter alia, concluded and filed with the Commission interconnection agreements with two competitors, a facilities-based competitor and a reseller, regarding the terms and conditions under which the competitors may interconnect for local service pursuant to Section 252(a)(1) of TA 96. The Commission specified that only contracts with certain substantial competitors would qualify, including complainants in the original proceeding or companies that had previously filed bona fide requests to Ameritech to interconnect under TA 96 before April 1, 1996.¹ However, the Commission left open the opportunity for Ameritech to show that additional interconnectors could be designated as substantial competitors for the purpose of postponing the intraLATA 1+ competition.

The Wisconsin Commission explained that it was providing a potential for deferral in the 1+ interconnection schedule in an effort to accelerate competition for local services in Wisconsin. The Commission cited the provisions of TA 96 allowing Ameritech to provide in-region interLATA toll services (Sections 271(b)(1) and (d)(3)), and also indicated that it was providing an incentive to encourage Ameritech to provide local services on a competitive basis. It stated:

[T]he Commission emphasizes that it is authorizing a delay in the implementation schedule in this docket for up to six months in order to obtain a significant step toward local service competition in this state. Because a similar agreement is also a necessary part of Ameritech's application as an in-region interLATA carrier, the agreements required under this incentive will also improve the competitiveness of the interLATA long distance market in Wisconsin as well. Order of June 6, 1996, at 12-13.

On July 30, 1996, just prior to the August 1 deadline, Ameritech filed two agreements dated July 26, 1996, between Wisconsin Bell, Inc. (d/b/a Ameritech Wisconsin) and GE Capital Communications Services Corporation (GECCSC). Both agreements were for resale services, one of which was for residence and the other for business services. Although GECCSC was an authorized long distance reseller within Wisconsin since 1993, it was only on July 22, 1996 that GECCSC notified the Commission of its intent to expand its service offering in Wisconsin to include "all forms of resold local exchange telecommunications services." GECCSC

¹ The qualifying competitors for this purpose included the parties seeking intraLATA presubscription, AT&T, MCI, Sprint, Schneider Communications, Inc., and Norlight, as well as pre-April, 1996 authorized providers, TCG and MFS.

indicated that prior to that date it was operating in Wisconsin only as a reseller of MTS, Software Defined Network (SDN)-type services and WATS. GECCSC asserted that granting it the authorization to resell local service will further the Commission's policies of competitive entry and the goals of TA 96, and contribute to the development of local competition.

On July 31, the day after the filing of these interconnection agreements and nine days after GECCSC sought to expand its authority to provide local service, Ameritech filed its request with the Wisconsin Commission to postpone intraLATA 1+ presubscription, claiming that it satisfied all the requirements in the June Order for postponement. With regard to the requirement to have interconnection agreements with facilities-based providers, Ameritech represented that it had filed agreements with two facilities-based competitors, MFS of Wisconsin and Time Warner. With regard to resale, the only carrier mentioned was GECCSC, based on the agreements which two days previously had been filed with the Commission. Although GECCSC was neither a complainant nor a company that had sought interconnection from Ameritech prior to April, 1996, Ameritech represented that GECCSC should nonetheless be considered qualifying as a provider because it would, among other things, further the Commission's policies of "introducing timely, broad-based and effective competition to all telecommunications markets in Wisconsin as soon as possible." And, Ameritech represented, GECCSC "will have a sufficient presence in a local telecommunications market in Wisconsin to serve as an appropriate model for future agreements...it has brandname recognition and the financial resources superior to that of many of the nearly 300 similarly certified Wisconsin resellers. By its contracts it has demonstrated its intention to serve not only the business but the residential Wisconsin market as well."

In response to the July 31, 1996 filing, the Wisconsin Commission Staff sent a request for information to Ameritech, dated August 6, 1996, which is attached as Exhibit A. Staff posed four separate questions in two areas.

First, Commission records showed that some five months earlier, GECCSC had sold a portion of its Wisconsin customer base to another company, MIDCOM Communications, Inc. The Staff asked whether Ameritech was aware that GECCSC, far from expanding its presence as a competitive company in Wisconsin, as Ameritech represented, was in fact reducing its presence. Staff further inquired whether, given the reduction of GECCSC's customer base, Ameritech has some basis to claim that the interconnection agreement will further the Commission's goal of introducing timely, broad-based and effective competition to all telecommunications markets. Finally, on this point, Staff asked for documentation from Ameritech indicating support for its assertion that GECCSC now included both business and residence customers and both urban and rural customers.

Second, Staff inquired concerning a possible financial interest Ameritech had in GECCSC. Staff quoted Ameritech's annual reports for the last two years that indicated that:

Ameritech holds a \$472 million debt stake in GE Information Services, which will convert to a 30% equity stake as soon as certain restrictions on long distance service are removed.

Based on this current financial interest and inevitable equity interest, Staff inquired on what basis Ameritech claimed it had an interconnection agreement with a local service resale competitor.²

Ameritech responded by brief letter on August 15. (Attached as Exhibit B) With regard to the representation Ameritech made concerning GECCSC's presence and the expansion of competition, Ameritech indicated that it had relied upon a one-page letter from counsel for GECCSC indicating its intention "to expand its service offering in the state of Wisconsin to include all forms of resold local exchange telecommunications services." This was the same letter filed with the Commission on July 22, 1996 seeking expansion of GECCSC's operating authority.

With regard to the financial interest question, Ameritech indicated that it had "no financial interest in GE Capital Communications Services Corporation." Ameritech admitted that it had "lent money" to another GE subsidiary, GE Information Services (GEIS). With regard to the equity interest, Ameritech stated that Ameritech presently has no equity interest in GEIS or any other GE subsidiary. Continuing the attempted distinction between affiliates, Ameritech indicated that "GEIS does not provide local exchange services." GECCSC could, therefore, be a competitor of Ameritech Wisconsin in the provision of local exchange service.

Two aspects of this explanation warrant more scrutiny. First, GE is now a debtor to Ameritech, paying interest on a half billion dollar loan. This obligation ceases when Ameritech becomes a long distance provider, an event that may depend in part on interconnection agreements such as the one submitted to the Wisconsin Commission. Thus, GEIS as debtor and Ameritech both have an interest in Ameritech satisfying the long distance entry requirements.

Second, the relationship may not be "arms length." Regardless of whether Ameritech and GECCSC are now "affiliated" within the meaning of either Wisconsin law or TA 96, there is an undeniable relationship. The contingency prior to the

² Attached to Ameritech's Commission letter is the letter from MIDCOM to the Commission dated February 6, 1996. Also attached are pages from Ameritech's 1994 and 1995 Annual Reports.

equity interest--interLATA entry--is sure to occur within the 10 year term of the contract. Thus, the interconnection agreement submitted will be one in which Ameritech is the party on one side and an affiliate of the party on the other side--indirectly, but in a real sense, Ameritech will have contracted with itself and submitted that contract as proof of competition.

Obviously, this situation would give another appearance if Ameritech's equity interest had nothing to do with telecommunications or TA 96. Because of the close connection, however, and the real effect that such agreements may have on bringing about the contingency, these matters are significant.

In addition, there are at least two other unusual items in these agreements that raise questions about whether they are "arms length." In return for the local service interconnection terms, GECCSC apparently agrees not to compete with Ameritech for the provision of intraLATA toll services:

IntraLATA toll service. Reseller hereby guarantees Ameritech 100% of its intraLATA toll service usage during the term of this Agreement. IntraLATA toll shall include directly dialed intraLATA message toll service. Agreement, page 11 (residential service); Agreement, page 11 (business service).

Similarly, both agreements contain a provision whereby GECCSC is obligated to give Ameritech the right to provide interLATA services to GECCSC under rates, terms, and conditions that are equal to or superior to those of other interLATA providers in the relevant service areas. Agreement, page 19 (residential service); Agreement, page 19 (business service).

The intraLATA provision is especially troublesome in view of GECCSC's current business. GECCSC is currently exclusively an interexchange service provider reselling WATS, MTS, and SDN-type services in Wisconsin. Under the Wisconsin Commission's Order, it will soon be able to provide those services on an intraLATA presubscribed basis even if its resale interconnection agreement with Ameritech delays that market opportunity for a few months.

On August 27, 1996, the Wisconsin Commission voted 3-0 to deny Ameritech's request for further postponement of intraLATA 1+ presubscription. In denying the request, the Wisconsin Commission focused on the GECCSC's agreements and found them not in the public interest. The Commission specifically noted that intraLATA and interLATA toll service provisions in the agreements were impermissible tying arrangements; that Ameritech's substantial investment in GEIS raised affiliated interest concerns and concerns about whether the agreements were bargained at arms length; and that the scope of agreements, only involving 7,500

lines, did not create a sufficient presence in Wisconsin by GECCSC to service as a model agreement.

On August 27, 1996, Ameritech filed a motion with the Wisconsin Commission asking the Commission to reconsider its decision. Ameritech represented that it had removed the intraLATA toll service provision from both agreements. On August 29, 1996 Ameritech represented that it had removed the interLATA provisions.

On August 29, 1996, the Wisconsin Commission denied Ameritech's Petition for Reconsideration. The Commission noted "[w]hile the [Ameritech] filing purports to eliminate those sections of the Interconnection Agreement to which the Commission has objected, there is no evidence that the other party to contract, GE Capital Communication Services has agreed to the revision of the contract. There is, therefore, no new contract or revision to a prior contract before the Commission at this time." (Wisconsin Commission's Letter Order dated August 29, 1996 - Docket No. 6720-TI-111 (copy attached as Exhibit C), p. 2). In addition, the Commission found that the "anti-competitive aspects of the Interconnection Agreement that prompted the Commission's disapproval on August 27 still exist. The Commission is concerned that the tying arrangement may be in violation of state and federal anti-trust laws." (*Id.*) Finally, the Commission held "the fact that Ameritech has unilaterally amended substantive terms of this agreement only strengthens this Commission's impression that this is not an arm's length transaction with a competing provider of local telecommunication services in Wisconsin." (*Id.* at p. 2, 3.)

This situation is informative for the oversight of Ameritech agreements in view of the requirement, under TA 96, that Ameritech certify that it has entered into an agreement with providers of facilities-based local services for both residence and business customers. It is apparent from Ameritech's actions in this Wisconsin case that Ameritech may fail to disclose affirmatively what others may find to be relevant financial relationships between parties to interconnection agreements, whether or not they meet the definition of "affiliates," and that when questioned Ameritech will respond to affiliation issues citing technical and intricate corporate legal structures. If this Wisconsin experience is representative, the Commissions must inquire specifically, and it must ask the right questions.

Ameritech has already entered into agreements with potential competitors, some of which are characterized by extraordinarily long terms, such as ten-year resale agreements. AT&T does not dispute that Ameritech can enter into an interconnection agreement with any entity, whether or not it is affiliated with Ameritech and whether or not Ameritech has a financial interest. However, to the

Ms. Wideman
September 18, 1996
Page 7

extent that (1) the interconnection agreement would be relied upon by Ameritech to satisfy the particular interconnection agreement requirement in Section 271 of TA 96, or (2) the agreement would be given even slight precedential weight in judging the reasonableness of agreements or the outcomes of arbitrations with other competitors, then the Commission should inquire closely into these matters. The inquiry should extend to the financial or managerial relationship, if any, between Ameritech and the other company, the existence, if any, of side arrangements such as financing or future equity options or rights, and the terms, if any, in which the other entity agrees not to compete with Ameritech in return for the particular terms that the competitor has received.

AT&T does not have information that such other relationships exist, because it has thus far relied on Ameritech's disclosures in filings made with the state commissions. However, documents filed with the Wisconsin Commission, both those originally filed that did not include disclosures and the response offered by Ameritech even after it was confronted with public records and paragraphs from its own annual report, do not generate confidence that Ameritech's voluntary disclosures will contain all relevant information on these subjects.

Respectfully submitted,



William A. Davis, II
Counsel for AT&T

WAD/clb
Attachments

cc: All parties on attached Service List (w/enclosures)



Public Service Commission of Wisconsin

Cheryl L. Parrino, Chairman
Scott A. Neitzel, Commissioner
Daniel J. Eastman, Commissioner

Jacqueline K. Reynolds, Executive Assistant
Lynda L. Dorr, Secretary to the Commission
Steven M. Schur, Chief Counsel

August 6, 1996

Michael Paulson
Ameritech Wisconsin
722 North Broadway
Milwaukee, WI 53202-4396

Re: In the Matter of a Complaint and Petition for an
Order Requiring IntraLATA Equal Access in the
Exchanges of Ameritech Wisconsin

6720-TI-111

Docket 6720-TI-111 - DATA REQUEST 1

Dear Mr. Paulson:

To assist our review of Ameritech's July 31, 1996, request for waiver, we request that you respond to the questions below. For purposes of your response, any reference herein to Ameritech should be deemed to include any affiliate of Ameritech having a current affiliated contract or arrangement with Ameritech Wisconsin, as those terms are referenced in s. 196.52, Stats.

1. In Ameritech Wisconsin's request for waiver, Ameritech asserts that "GECCS will have a sufficient presence in the local telecommunications market in Wisconsin to serve as an appropriate model for future agreements that other telecommunications providers may reach with Ameritech." However, on February 6, 1996, MIDCOM Communications Inc., informed the Commission that it was acquiring a portion of GECCS's Wisconsin customer base. A copy of that letter is enclosed. Was Ameritech aware that GECCS had previously decided to reduce its presence in Wisconsin when it prepared its waiver request?

2. Given the fact that GECCS has sold, or is selling, a portion of its customer base in Wisconsin, on what basis does Ameritech assert that GECCS has or will have presence in the local telecommunications market? What information does Ameritech have to indicate whether the current customers served by GE Capital Communication Services Corporation (as well as customers served by GE Exchange, GE Capital Exchange or GE Capital-ResCom) include both business and residential customers and both urban and rural customers?
3. Again, given the fact that GECCS has sold, or is selling, a portion of its customer base in Wisconsin, does Ameritech have any other information upon which to base its claim that the interconnection agreement with GECCS will further the Commission's goal of introducing timely, broad-based, and effective competition to all telecommunications markets.
4. In Ameritech's 1994 Annual Report, at page 26, the company reports:

In May 1994, \$472.5 million was invested in the form of a loan to a General Electric Company (GE) subsidiary that provides sophisticated electronic commerce . . . The loan converts to a 30% equity position if certain regulatory relief is granted to the company.

In Ameritech's 1995 Annual Report, at page 15, the company again reports:

GE Information Services (GEIS) is a leader in the worldwide electronic data interchange market . . . Ameritech holds a \$472 million debt stake in GEIS, which will convert to a 30% equity stake as soon as certain restrictions on long distance services are removed.

Does Ameritech have any financial interest in GE Capital Communication Services Corporation? Does GE Information Services have any financial interest in GE Capital Communication Services Corporation? Given the substantial equity interest Ameritech holds in at least one GE subsidiary, on what basis does Ameritech claim that it has entered into an interconnection agreement with a competitor?

SWIDLER
BERLIN
CHARTERED

STAMP AND RETURN

July 22, 1996

RECEIVED
JUL 23 4 51 PM

VIA OVERNIGHT DELIVERY

Lynda Dorr, Secretary
Public Service Commission of Wisconsin
610-M Whitney Way
Madison, WI 53705-2729

Re: GE Capital Communication Services Docket No. 7832-TT-100
Notice that GE Capital Communication Services intends to
expand its service offerings to include resold local exchange services

Dear Ms. Dorr:

By this letter, and pursuant to s. PSC 168.07(1) Wis. Adm. Code and the Commission's Order in Docket No. 05-TT-138 dated July 2, 1996, GE Capital Communication Services Corporation d/b/a GE Capital Exchange and d/b/a GE EXCHANGE® ("GECCS"), hereby notifies the Commission that it intends to expand its service offerings in the State of Wisconsin to include all forms of resold local exchange telecommunications services. GECCS was certified as an Alternative Telecommunications Utility (ATU) in Docket No. 7832-TT-100 on September 16, 1993, and currently operates in Wisconsin as a reseller of intrastate Message Telephone Service (MTS), Software Defined Network (SDN) type services and Wide Area Telephone Services (WATS).

GECCS respectfully submits that the expansion of GECCS's service offerings to include local exchange resale services will further the Commission's policies in favor of competitive entry, as articulated in the July 2, 1996 Order, as well as the goals of the Federal Telecommunications Act of 1996. Expansion of GECCS's service offerings will also contribute to the development of local competition in the State of Wisconsin.

3000 K STREET, N.W. • SUITE 300
WASHINGTON, D.C. 20007-5118

Mr. Scot Cullen
August 15, 1996
Page 2

urban or rural customers, all classes of customers will receive the benefits of this competitive entry, whether directly by GECCS or by other resellers willing to enter into similar agreements.

4. Ameritech has no financial interest in GE Capital Communications Services Corporation. Ameritech has lent money to GE Information Services ("GEIS"), as indicated in Ameritech's annual reports; Ameritech presently has no equity interest in GEIS or any other GE subsidiary. Ameritech exercises no control or influence over the operations of GEIS or GECCS. GECCS and GEIS are independent, wholly owned subsidiaries of GE. (See attached pages from the GE annual report.) GEIS does not provide local exchange services. GECCS is, therefore, a competitor of Ameritech Wisconsin in the provision of local exchange services.

If additional information is required, please do not hesitate to contact me.

Very truly yours,

Michael Paulson

AS.

cc:
Service List

Law Department
702 North Broadway,
Room 1608
Milwaukee, WI 53202
Office 414/678-2127
Fax 414/678-2444

Exhibit B

Michael L. Paulsen
Attorney

Ameritech

AUG 16 1996
TELECOMMUNICATIONS

August 15, 1996

Mr. Scot Cullen
Administrator
Telecommunications Division
Public Service Commission of Wisconsin
P. O. Box 7854
Madison, WI 53707-7854

PUBLIC SERVICE COMMISSION
OF WISCONSIN
RECEIVED
AUG 15 P 4:26

Re: Docket 6720-TI-111
(Data Request 1)

Dear Mr. Cullen:

Ameritech Wisconsin respectfully submits the following responses to the data request dated August 6, 1996, in this docket.

1, 2, and 3. In preparing its waiver request in this proceeding and making representations with respect to GE Capital Communications Services ("GECCS") operations in Wisconsin, Ameritech Wisconsin relied upon the agreement between Ameritech Wisconsin and GECCS as well as the July 22, 1996, letter from Swidler & Berlin, Counsel to GECCS, to the Commission indicating that GECCS "intends to *expand its service offerings in the State of Wisconsin* to include all forms of resold local exchange telecommunications services." (Emphasis added.) GECCS specifically represented that "expansion of GECCS's service offerings to include exchange resale services will further the Commission's policies in favor of competitive entry. . . . Expansion of GECCS's service offerings will also contribute to the development of local competition in the State of Wisconsin." A copy of the letter is attached for your convenience.

In addition, Ameritech Wisconsin will fulfill its obligations under the law to make the same terms and conditions for interconnection and resale available to any other telecommunications carrier. The agreement, therefore, proves the willingness of Ameritech Wisconsin to support competitive entry via resale of its services in its exchanges throughout Wisconsin. Because this agreement is not limited to services provided either to residential or business customers, or to

Ⓢ

MIDCOM

February 6, 1996

PUBLIC SERVICE COMMISSION 1

FEB FEB -9 P 12:46

7645
7832

Wisconsin Public Service Commission
Attn: Telecommunications
P.O. Box 7854
Madison, WI 53707-7854

RECEIVED

FEB 12 1996

TELECOMMUNICATIONS
DIVISION

RE: Partial Customer Base Acquisition

Dear Ladies/Gentlemen:

By this letter, MIDCOM Communications Inc. ("MIDCOM") and GE Capital Communication Services Corporation, d/b/a GE Exchange and d/b/a GE Capital Exchange ("GE") hereby jointly inform the Wisconsin Public Service Commission ("Commission") that MIDCOM is in the process of acquiring a portion of GE's Wisconsin customer base.

Both MIDCOM and GE are certified by the Commission as alternative telecommunications utilities with authority to resell telecommunications services. The Commission granted certification to MIDCOM in Docket No. 7645-TI-100 on December 16, 1991, and to GE in Docket No. 7832-TI-100 on September 17, 1993. No transfer of certificates, permits or operative rights is therefore required.

GE customers will continue to receive the same or improved services at their current rates and with the same billing arrangements. GE will continue to exist and operate under its own name and does not want its certification or tariff canceled. A verification from an officer of GE attesting that the statements made in this letter are true is attached.

Please acknowledge receipt of this notification by file-stamping and returning the extra copy of the letter in the self-addressed, stamped envelope, provided for this purpose. Questions regarding this matter may be directed to me at (206) 628-7369.

Stamped + returned

Sincerely,
MIDCOM Communications Inc.

Bradley D. Toney

Bradley D. Toney
Assistant Counsel

Enclosure

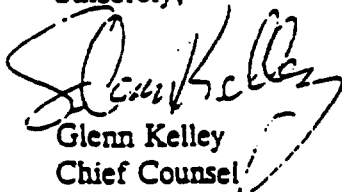
*Tel
Rm/N*

Michael Paulson
Docket 6720-TI-111
Page 3

Please address your reply to this data request, an original and four copies, to Scot Cullen, Administrator, Telecommunications Division, P.O. Box 7854, Madison, Wisconsin 53707-7854. Comments are due in Madison by August 15, 1996. Correspondence should reference docket 6720-TI-111.

If you have any further questions regarding this matter, please give Dennis Klaila a call at (608) 267-9780.

Sincerely,

A handwritten signature in dark ink, appearing to read "Glenn Kelley", written over the typed name and title.

Glenn Kelley
Chief Counsel
Telecommunications Division

GK:DJK:reb:h:\ss\letter\111_dat.req

cc: Service List
Lynda Dorr, PSC
RM/Mail

Wisconsin Public Service Commission
July 22, 1996
Page 2

Enclosed are an original and three copies of this letter. Also enclosed is an extra copy of this letter; please date-stamp this copy and return it to the undersigned in the enclosed self-addressed, stamped envelope. Please do not hesitate to call the undersigned if you have any questions or need any further information.

Sincerely,

Katherine A. Rolph

Margaret M. Charles

Katherine A. Rolph

Counsel to

GE Capital Communication Services Corporation

d/b/a GE Capital Exchange and d/b/a GE EXCHANGE®

Enclosures

cc: Robert E. Stenson
Meredith Hayes Gifford

1000000000

50 P.05 1022652201

1022652201

AT&T

AUG-16-1996 15:14

Management

(As of February 9, 1996)

Corporate Executive Officers

John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer

Paula Presson
Vice Chairman of the Board
and Executive Officer

John B. Gole
Vice Chairman of the Board
and Executive Officer

Senior Corporate Officers



William J. Casey
Senior Vice President,
Human Resources



Dennis B. Swanson
Senior Vice President,
Finance



Lewis S. Schiffert
Senior Vice President,
Research and
Development



Benjamin W. Holman, Jr.
Senior Vice President,
General Counsel and
Secretary

Corporate Staff Officers

Philip B. Anson
Vice President and
Comptroller

Rodger H. Bristol
Vice President, Research and
Development

James A. Bore
Vice President and Treasurer

Albert F. Carroll
Vice President, Mergers and
Acquisitions and International
Finance

Patricia Daley
Vice President and Senior
Counsel, Transactions

Dele F. Frey
Chairman and President,
General Electric Healthcare
Corporation

R. Michael Graham
Vice President and Senior
Counsel, International Law
and Policy

Joyce Margulies
Vice President, Public
Relations

James W. Ireland III
Vice President, Audit and
Tax

Sharon Kay
Vice President, Leadership
Development

Robert W. Nelson
Vice President, Financial
Planning and Analysis

Charles E. Olmley
Vice President, Executive
Development

Stephen B. Ramsey
Vice President,
International Programs

Gary M. Rolser
Vice President, Business
Development

John M. Scoville
Vice President and Senior
Counsel, Tax

Steven M. Walker
Vice President, Government
Relations

Operating Management

(As of February 9, 1990)

Aircraft Entities

Stephen F. Murphy
President and Chief Executive Officer, GE Aircraft Engines

Carsten B. Gaudill
Vice President, Engineering

Clinton L. Chabert
Vice President, Commercial Engines

Robert L. Gaudin
Vice President, Mission Management

Harbert B. Bopp
Vice President, Marketing and Sales

John A. Feltz
Vice President, Finance and Information Technology

Henry A. Robinson
Customer Counsel and Vice President, Business Development

Donald B. Little
Vice President, Military Engines

Robert E. Beyer
Vice President, Production and Performance

William J. Vennart
Vice President, Engine Services

Applications

J. Richard Boushler
President and Chief Executive Officer, GE Appliances

James R. Andrews
President and Regional Manager, Asia

Charles Caruso
Vice President, Consumer Service

Lorenzino E. Jubbato
Vice President, Asia and North/South

Samuel C. Shufel
Vice President, Marketing and Product Management

R. Mark Schmalz
Vice President, Technology

Thomas C. Tillar
Vice President, Purchasing and Manufacturing

James A. Basso
Regional Director, General Domestic Appliances, Ltd.

Capital Systems

Dery C. Whelan
Chairman, President and Chief Executive Officer, GE Capital Services, Inc. and Chairman and Chief Executive Officer, GE Capital Corporation

Geoff L. Hopton
President and Chief Operating Officer, GE Capital

Michael B.T. Ashpazz
Executive Vice President, GE Capital Corporation

Michael B. Butler
Vice President, Commercial Real Estate Financing and Service

James L. Johnson
President, GE Capital Aviation Systems, Inc.

Robert L. Lundy
President, GE Capital Credit Policy and Structured Finance

Michael A. Abel
Executive Vice President, GE Capital Corporation

Gregory E. Bennett
Vice President, GE Capital Mortgage Corporation

Edward E. Bousart
Executive Vice President, GE Capital Corporation

Samuel L. Dandekar
President, GE Capital Asia Financial Services

David E. Bensen
President, GE Capital International Corporation

Donald W. Pinner
President, GE Capital Asset Financial Service

Ed Johnson
Chairman, President and Chief Executive Officer, GE Corporate Management

Henry E. Bensen
Senior Vice President, General Counsel and Secretary

James A. Papp
Senior Vice President, Finance

Lorenzino E. Jubbato
Senior Vice President, Human Resources

Lighting

W. James McHenry, Jr.
President and Chief Executive Officer, GE Lighting

James E. Borenson
Vice President, North American Production

John E. Brown
Vice President, Quality and Technology

Jeffrey P. Bensen
Vice President, Asia/Pacific

Michael M. Johnson, Jr.
Vice President and General Counsel

James E. Mose
Vice President, Finance

Charles P. Pinner
President and Chief Executive Officer, GE Lighting Europe

Gregory E. Bennett
Vice President, Worldwide Marketing and Product Management

TRC

Robert C. Wright
President and Chief Executive Officer, National Broadcasting Company, Inc.

William Butler
President, TRC

Neil Brown
President, Television Network

Michael Cohen
Executive Vice President and General Counsel

Bob Emond
President, Sports

Warren C. Jensen
Senior Vice President, Finance

Andrew R. Lund
President, News

Donald W. Shampine, Jr.
President, NBC-TV's Court

Thomas E. Rogers
President, NBC Cable and British Development

John E. Schabert
President, Television Studio

Edward L. Seabolt
Executive Vice President, European Relations

Medical Systems

John M. Todd
President and Chief Executive Officer, GE Medical Systems

Alan Bels
President and Chief Executive Officer, GE Medical Systems Europe

Robert L. Bensen
Vice President, Advanced Technology

Thomas E. Bousart
Vice President, American Service

Berry Noel
Vice President, Global Marketing and Manufacturing

Glenn S. Hallis
President and Chief Executive Officer, GE Medical Systems Asia Ltd. and Chairman and Chief Executive Officer, Japanese Medical Systems

Paul J. Murphy
Vice President, Americas Sales

James G. Del Marre
Vice President, Health, Hospital Systems

Greg Gaudin
Vice President, Global Technology

Operating Management

(Continued)

Trucks

Bert L. Rogers
President and Chief Executive
Officer, CE Trucks
Marvin J. Ables-Tammy
Vice President and General
Counsel
Robert H. Brett
Vice President, Finance
David M. Cole
Vice President, CE Systems
Jeffrey A. Linsell
Vice President,
CE TruckAmerica
Carlton E. Drenn, Jr.
Vice President, Sales
John M. Hunsicker
Vice President, Worldwide
Technology
John G. Rhee
President and Representative
Director, CE Pacific Pacific
Uma S. Winkler
Senior Managing Director,
CE TruckAmerica
Paul C. van Alsteden
Vice President, Europe
Manufacturing
William A. Woodhouse
Vice President,
CE Supertrucks

Power Systems

Robert L. Rudolph
President and Chief Executive
Officer, CE Power Systems
Harold S. Blake
General Counsel and
Vice President, Business
Development
Stephen E. Boudinoff
Vice President, Power
Generation Products
Donald M. Burgess
Vice President, Marine
Systems
Mark M. Lipo
Vice President, Power
Generation Engineering
Thomas C. Pohl
Vice President, Technology
Wayne J. Murphy
Vice President, Strategic
Initiatives
Donald E. Pymme
Vice President, Marketing
Thomas P. Sullivan
Vice President, Power
Energy & Equipment
Vice President, Nuclear
Power
William C. West
Vice President and Regional
Executive, America
Donald E. Williams
Vice President, Zephyr,
Militar East and Africa;
and President and Chief
Executive Officer,
Nucor Power
Robert L. Williams
President and Regional
Executive, Asia

Marine and Offshore and General

Udell E. Trema
President and Chief Executive
Officer, CE Marine
Distribution and Control
Blaise Araya
President and Chief
Executive Officer,
CE Power Control
Stephen M. Bland
Vice President, America
Richard L. Pree
Vice President, Power
Delivery

Information Services

William E. Murphy
President and Chief Executive
Officer, CE Information
Services

Ships and Industrial Systems

James M. Bagge
President and Chief Executive
Officer, CE Marine and
Industrial Systems
Robert P. Collins
President and Chief
Executive Officer,
CE Marine Automation
North America, Inc.
David E. Harnet
Vice President, Industrial
Marine
Harold L. Bates, Jr.
Vice President, Drive
Systems and Turbine
Controls

International

Sever E. Sogana
President and Chief Executive
Officer, CE India
Kenneth C. Brown
President, CE South America
Malcolm Chang
President and Chief Executive
Officer, CE China
Lee Brown
Vice President and Senior
Counsel
Robert T.E. Williams
Chairman and Chief Executive
Officer, General Electric
Canada Inc.
Jay F. Lugin
President and Chief Executive
Officer, CE Japan
John T. McGowan
President, CE South America
Alfred C. Samart
President, CE Middle East,
Africa, Canada and Pakistan
Europe

CE Supply

William L. Medelagh
President and Chief Executive
Officer, CE Supply

Engineering/Training

Stuart A. Fisher
President and Chief Executive
Officer, CE and ECA
Learning Management
Operations, Inc. and
CE Training Company

Manufacturing and Sales

Thomas E. Camp
Vice President, Western
Operations
Adam J. Felle
Vice President, Americas
Robert J. Singer
Vice President, Area
Management and Sales

Transmission Systems

David L. Giddens
President and Chief Executive
Officer, CE Transmission
Systems
Richard P. Senglin
Vice President, Engineering
and Production

LONG DISTANCE Long distance is a cornerstone of our plans for a full-service communications offering. The new federal communications law opens up an \$3.5 billion regional long distance market to us. We are quickly moving to meet all requirements of the new law, and continuing to foster a competitive local telephone market, in order to gain regulators' approval of our long



distance entry. We're optimistic that we'll meet all these requirements and gain entry in 1997. As a first step, we have already begun

to offer Ameritech long distance service to our 1.9 million cellular customers. Long distance is a natural extension of our core business: we handle the local completion of 6 billion long distance calls each year. Our new long distance business unit is ready to compete as soon as we receive approval.

DESKTOP MANAGED SERVICES Companies refocusing on their core business often outsource the telecommunications function to us. In 1995 we formed a partnership

with IBM to pursue this business. Our venture is the first to offer an integrated package of voice, data and video desktop managed services. We provide a single point of contact for managing all desktop-



based communications and computing—PCs, phones, PBXs, local area networks, faxes and more.

ELECTRONIC COMMERCE GE Information Services (GEIS) is a leader in the worldwide electronic data interchange market, which expanded 25% in 1995. Ameritech holds a \$472 million debt stake in GEIS, which will convert to a 30% equity stake as soon as certain restrictions on long distance services are removed. GE Information Services electronically links businesses with suppliers, distributors, manufacturers and customers to streamline transactions and improve information flows. More than 40,000 businesses worldwide use GEIS services to improve productivity, lower costs and shorten cycle times.

ADDITIONAL SOURCES OF GROWTH

ON-LINE HEALTH CARE

Some 2,000 doctors, hospitals and insurers in eight major metropolitan areas use our health care networks and clinical databases to speed information, cut paperwork and lower administrative costs by 20%.

ON-LINE TRAVEL

Customers make reservations, buy tickets, access entertainment information and even buy travel guides on-line through Travelocity, a new Internet service from Worldview Systems, in which we own a minority stake.

CIVICLINK

We make government records available on-line, saving trips to the courthouse and time spent poring through paper files. New customers include Los Angeles County and Prince George's County, Maryland.

ELECTRONIC SALES

Our new Electronic Sales Environment makes companies' marketing and product information accessible by phone, fax or PC. It helps customers build sales by linking staff, sales channels, customers and others.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in millions, except per share amounts)

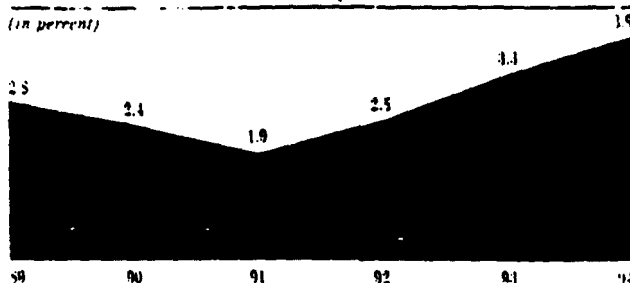
Overview

The following discussion reflects the historical view of the company with a view toward the future.

In 1994, several key initiatives were successfully implemented which better positioned the company for competition. These included: adoption of accounting for competitive enterprises after receiving price regulation in our five states, the benefits of work force restructuring, and approval in December to construct a video dial tone network. The company determined that, due to its changed regulatory environment and emerging competition, it should discontinue use of accounting rules for regulated companies and adopt accounting rules applicable to competitive enterprises. As a result, an extraordinary after-tax noncash charge of \$2.2 billion (\$4.07 per share) was recorded, as net fixed assets were deemed to be underdepreciated due primarily to unrealistic depreciation lives assigned by regulators (see page 30). Going forward, the company's financial statements reflect more realistic estimates of depreciable lives and conventional accounting rules.

Access Line Growth

(in percent)



1994 was also the first full year of operating under an organizational strategy that assigns each customer to a business unit. Previously, the company structured its business around geographically based subsidiaries (Illinois Bell, Ohio Bell, etc.) through which it continues to raise capital. The company believes it operates in only one industry segment, telecommunications. However, by assigning customers to specific business units, customer service and cost effectiveness are enhanced. Specifically, business unit reengineering enabled a reduction in the company's core landline telephone business work force of about 11,500 employees. Although this required an after-tax restructuring charge of \$455.8 million in 1994, it positioned the company for lower future operating costs, as discussed more fully on page 29.

1994 earnings, when normalized for the aforementioned extraordinary item and restructuring charges, coupled with a write-down of certain assets (discussed on page 29) by \$61.3 million after-tax, were \$1,687.6 million or \$3.07 per share. This compares to normalized 1993 earnings of \$1,488.4 million or

\$2.74 per share. This is an increase in earnings of \$199.2 million, or 13.4%, and an increase in earnings per share of \$.33 per share or 12.0%. Normalized items in 1993 relate to a gain from the sale of New Zealand Telecom shares and the company's share of a restructuring charge at that company. Reported earnings were a loss of \$1,063.6 million, or \$1.94 per share in 1994, and net income of \$1,512.3 million in 1993 or \$2.73 per share. Cash provided by operations increased to \$3,429.8 million in 1994 from \$3,188.6 million in 1993, an increase of \$241.2 million, or 7.6%.

The strong Midwest economy provided a catalyst for the company's success in 1994. Core business operations continued to show strong results with landline telephone business revenues increasing 4.5% to \$9.6 billion. A major portion of that growth reflects marketing success for custom calling features such as caller ID and call waiting. Access line growth was 3.9% in 1994, resulting in part from second line additions as residences installed fax machines, modems and other uses. Cellular customers increased by 51.0% from a year ago. Advertising and promotion costs incurred throughout the business in 1994 were \$242.5 million and \$204.4 million in 1993 and assisted revenue growth.

International investments represent 5.4% of the company's assets at December 31, 1994. Such investments are accounted for by using the equity method of accounting, as required by generally accepted accounting principles and, accordingly, do not contribute to recorded revenues of the company. The company's allocable share of the operating results of its international investments is included in other income in the company's consolidated statement of income. The company estimates its pro rata share of revenues in 1994 from these international investments at about US\$550 million. The company believes these investments will continue to enhance net income. Management has adopted a general strategy of forming strategic alliances with partners in its foreign investments to mitigate risk and share expertise.

In May 1994, \$472.5 million was invested in the form of a loan to a General Electric Company (GE) subsidiary that provides sophisticated electronic commerce, which is a high-growth market. The loan converts to a 30% equity position if certain regulatory relief is granted to the company. Currently, the investment yields the company a return in the form of interest income. However, upon conversion, the company will record 30% of the income of that GE subsidiary, which will be reduced by amortization of intangibles resulting from assuming an equity position in that company. Accordingly, after conversion Ameritech earnings may initially not be enhanced; however, long-term expectations are for significant growth in electronic commerce.



Exhibit C

Public Service Commission of Wisconsin

Cheryl L. Parrino, Chairman
Scott A. Neitzel, Commissioner
Daniel J. Eastman, Commissioner

Jacqueline K. Reynolds, Executive Assistant
Lynda L. Dorr, Secretary to the Commission
Steven M. Schur, Chief Counsel

Michael Paulson
Ameritech Wisconsin
722 N. Broadway
Milwaukee, WI 53202

Re: In the Matter of a Complaint and Petition
for an Order Requiring IntraLATA Equal
Access in the Exchanges of Ameritech
Wisconsin

6720-TI-111

Dear Mr. Paulson:

At its open meeting of August 29, 1996, the Commission considered the request of Wisconsin Bell, Inc. (d/b/a Ameritech Wisconsin), for Commission reconsideration of its oral decision in this docket to require implementation of intraLATA presubscription as of September 1, 1996, and for a thirty-day stay of that order pending further consideration.

Background

Previously, at its open meeting of August 27, 1996, the Commission decided, in docket 6720-TI-122/7832-TI-101, that the interconnection agreement between Wisconsin Bell, Inc. (d/b/a Ameritech Wisconsin), and GE Capital Communications Services Corporation (GECCS) was not consistent with the public interest, convenience, and necessity. The Commission found that the interconnection agreement contained a provision tying the competitive resale of Ameritech local telecommunications services to the exclusive provision of Ameritech intraLATA and interLATA toll service. The Commission determined that this tie-in is anti-competitive in that it denies GECCS customers a choice of long distance carrier contrary to the intent of the federal Telecommunications Act of 1996 and the orders of this Commission in docket 6720-TI-111.

On August 27, 1996, the Commission also considered the related request for waiver submitted in this docket, 6720-TI-111. The Commission found that GECCS has such an insignificant presence in the telecommunications market in Wisconsin that it is not reasonable to believe this agreement can serve as an appropriate model for future agreements that other telecommunications providers may reach with Ameritech, nor is it likely that approval of this waiver will further the Commission's goal of introducing competitive telecommunications services to all areas of the state while maintaining universal service objectives.

The Commission further found that Ameritech has a substantial financial interest in another division of General Electric, GE Information Services. The Commission determined that, while this interest in itself may not be a sufficient basis to disapprove this waiver request, the presence of this interest is an additional indication that Ameritech has not entered into an interconnection agreement with a viable local service competitor in the manner intended by the June 6, 1996, order in this docket.

The Commission therefore denied the request of Ameritech for a waiver designating GE Capital Communications Services Corporation as an eligible carrier for purposes of the order of June 6, 1996, and directed Ameritech to implement intraLATA equal access in its local exchanges according to the previous order of July 12, 1996, in this docket.

On August 27, 1996, after the Commission's open meeting decision, Ameritech filed a request for "Commission reconsideration of its oral decision in this docket to require implementation of intraLATA presubscription as of September 1, 1996," and also asked for "a thirty day stay of that order pending [further] consideration." On August 28, 1996, the Commission sent a letter to the service list requesting comments on the Ameritech petition. Comments were received from six parties: AT&T, Ameritech, MCI, Sprint, the Commission staff, and the Wisconsin Department of Justice.

On August 29, 1996, in conjunction with its petition for reconsideration in this docket, Ameritech filed a letter with the Commission, in docket 6720-TI-122/7832-TI-101, waiving the provisions related to GECCS's agreement to purchase Ameritech intraLATA toll services and the right of first refusal regarding Ameritech's interLATA toll service. The letter requests that the Commission approve that portion of the interconnection agreements excluding the sections now waived.

Findings

The Commission found that the Ameritech filing of August 29, 1996, was not a sufficient basis upon which to reconsider the August 27 decision in this docket. While the August 29 filing purports to eliminate those sections of the interconnection agreement to which the Commission had objected, there is no evidence that the other party to the contract, GE Capital Communications Services, has agreed to this revision of the contract. There is therefore no new contract or revision to a prior contract before the Commission at this time.

Further, the Commission found that the anticompetitive aspects of the interconnection agreement that prompted the Commission's disapproval on August 27 still exist. The Commission is concerned that the tying arrangement may be in violation of state and federal anti-trust laws.

Michael Paulson
Docket 6720-TI-111
Page 3

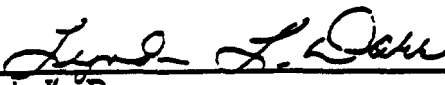
Finally, the fact that Ameritech has unilaterally amended substantive terms of this agreement only strengthens this Commission's impression that this is not an arm's-length transaction with a competing provider of local telecommunications services in Wisconsin.

The Commission therefore determined that the terms and other circumstances of the interconnection agreement between Ameritech and GECCS were unchanged from August 27, 1996, and denied the petition for reconsideration. The Commission also denied Ameritech's request for a stay of the August 27 order in this docket.

The Commission is providing a copy of this letter order to GE Capital Communications Services and the Federal Communications Commission, Common Carrier Bureau, for their information. If you have any further questions regarding this matter, please contact Dennis Klaila at (608) 267-9780.

By the Commission.

Signed this 29th day of August 1996



Lynda L. Dorr
Secretary to the Commission

LLD:DJK:lep:h:\ss\lorder\111_829.ltr

cc: Records Management, PSCW
Service List
Laurence D. Atlas, Federal Communications Commission
Stephen L. Schilling, GE Capital Communications Services

See attached Notice of Appeal Rights.